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FARM CREDIT BANK OF TEXAS

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August 15, 2008

SENT VIA E-MAIL

Mr. Gary K. Van Meter  
Deputy Director, Office of Regulatory Policy  
Farm Credit Administration  
1501 Farm Credit Drive  
McLean, Virginia 22102-5090

Re: Proposed Rule Governing Mission-Related Investments; Rural Community  
Investments Published in 73 Federal Register 33931 (June 16, 2008)

Dear Mr. Van Meter:

The Farm Credit Bank of Texas greatly appreciates the opportunity to submit comments on the Farm Credit Administration's proposed regulations authorizing System institutions to make certain investments in rural communities. While we fully endorse the comments submitted by the Farm Credit Council on behalf of its members, we also wish to express our own very strong support for the issuance of these regulations.

We agree with the agency that the proposed regulation is consistent with the plain language of the Farm Credit Act. The Act expressly grants System banks and associations authority to make investments as may be authorized by FCA regulations without in any way limiting the nature or purpose of those investments. FCA thus has the statutory authority to authorize any type of investment that it reasonably determines is consistent with the purposes of the Act. In our view, these regulations not only carefully observe the letter of the Farm Credit Act, but also clearly serve the Congressional intent behind it "to provide for an adequate and flexible flow of money into rural areas, and to modernize and consolidate existing farm credit law to meet current and future rural credit needs, and for other purposes." Moreover, the agency's issuance of these proposed regulations to guide prudent investment in projects benefitting rural communities is both appropriate and timely, considering the even greater difficulties that the current financial crisis presents for many rural areas seeking to attract needed investment.

We also agree that the types of investments that FCA has authorized in the proposed regulations support the mission of the Farm Credit System. FCA is correct when it states

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that System institutions are an integral part of rural America and that its farmer-borrowers depend on essential services, employment and other economic opportunities in the local rural communities in which they live. The investments FCA has authorized in the proposed regulation all have the potential to provide a direct benefit to the quality of life for farmers and ranchers living in rural communities as well as economic benefits that may help these farmers and ranchers continue to be engaged in agriculture. Those who argue that the proposed rule would exceed the Act's legislative mandate by funding activities or businesses with few or no ties to the agricultural sector do not understand either the mandate of the Act or the agricultural sector.

In conducting investment activities under our pilot program, the FCBT has made investments that are consistent with the types of investments authorized by the proposed regulations. These are modest investments that have improved local prospects for off-farm employment, helped a devastated rural area recover from a natural disaster, improved the availability of health care available to farmers, and helped to promote the agricultural industry. The benefits to agriculture as a result of these activities are clear. At the same time, in pursuing these opportunities, the FCBT has developed new contacts and networks with government agencies such as USDA and local economic development agencies and other System and non-System financial institutions that may one day lead to other opportunities to contribute to the rural quality of life and the vitality of the rural and agricultural economy. The investments we have made have been undertaken in accordance with a detailed investment policy and only after performing appropriate due diligence in order to keep risks to the FCBT at prudent levels.

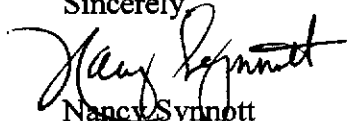
While we agree with the FCA's approach to the types of investments that would be authorized, we strongly support the express inclusion of case-by-case agency approval for other investments that do not meet the eligibility criteria of the regulation. This sort of flexibility is needed while the System gains experience with this kind of investment activity and needs in rural America evolve over time. The comments submitted by the Farm Credit Council have proposed that the categories of investments permitted by the regulation be amended to avoid any potential conflicts between the authorities of individual System institutions where an issuer might be eligible for a loan under titles I and II, but not title III, or vice versa. We already have a similar requirement under the pilot program we are currently conducting, and would have no objection to the inclusion of such a requirement in the regulation.

We would object, however, to the imposition of any territorial restriction on investment activities conducted under these regulations. We understand that some institutions may object to the lack of territory limits in the proposed regulation. In response, we would point out that the focus of this regulation is on investment authority, not lending authority. Historically, the System's lending authorities have always been subject to territorial limitations, but investment authorities have not. The imposition of territorial limitations would tend to blur the distinction between these two types of activities. Also, our experience under the pilot programs that FCA has authorized has demonstrated that an institution may acquire special expertise in a particular type of investment, such as

debt securities financing rural health facilities, that would be expensive for other System institutions to duplicate and from which all System institutions and their rural communities may benefit if the institution with the expertise is allowed to develop and purchase transactions in which other System institutions can participate. In addition, some issuers that do have a connection to a particular institution's territory may have multiple projects, some of which are located in the institution's territory and some of which are not. It could be counter-productive in this situation to discourage a System institution from developing a relationship with the issuer by limiting the institution's ability to finance worthwhile projects just because some of them may not be located in the institution's territory. The imposition of territorial limits on this activity could actually impair the ability of System institutions to be effective contributors to the welfare of rural America through the exercise of their investment authority.

In conclusion, we think that the proposed regulations offer System institutions another way in which to serve their mission to improve the income and well-being of American farmers and ranchers. Investments in rural communities can make a positive difference in the quality of life for American farmers and ranchers by improving economic opportunity, health, and public service, and thereby help to retain existing farmers and attract the next generation to a career in agricultural production. Our commitment to serve agriculture is only strengthened by the authority to make these investments. Given the current financial environment in which the commercial banking industry has become reluctant to lend even to good credits, we think that the need for System institutions to be able to consider these types of investments is greater now than ever.

Sincerely,



Nancy Synnott

Vice President, Investment Relationship Manager  
Association Direct Lending Unit